

ScottishPower NA 2 Limited

Directors' Report and Accounts
for the year ended 31 December 2009

Registered No. SC191616

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ScottishPower NA 2 Limited

Directors' Report and Accounts for the year ended 31 December 2009

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ScottishPower NA 2 Limited

Directors' Report

The directors present their report and audited Accounts for the year ended 31 December 2009.

This directors' report has been prepared in accordance with the special provisions relating to small-sized companies under section 417(1) of the Companies Act 2006.

Activities and review

The principal activity of ScottishPower NA2 Limited, ("the company"), registered company number SC191616, is the provision of loans to group undertakings. The company will continue with this activity for the foreseeable future.

Results and dividend

The net profit for the year amounted to £78.3 million (2008: £227.2 million). The aggregate dividends paid during the year amounted to £40.0 million (2008: £320.0 million).

Directors

The directors who held office during the year were as follows:

Ramón Fernandez Olmedo
Marion Venman

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and Accounts ("financial statements") in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ScottishPower NA 2 Limited

Directors' Report - continued

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- as far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditors

Ernst & Young LLP are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

By Order of the Board



Marie Ross

Secretary

9 September 2010

ScottishPower NA 2 Limited

Accounting Policies

Basis of accounting

The Accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards in the UK and comply with the requirements of the Companies Act 2006.

Statement of cash flows

The company is exempt from including a statement of cash flows in its Accounts as it is a wholly owned subsidiary of Iberdrola S.A., which has included a consolidated statement of cash flows in its consolidated Accounts.

Interest

Interest payable and receivable is reflected in the profit and loss account as it is incurred.

Taxation

Current tax, comprising UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Where required, and in accordance with Financial Reporting Standard ('FRS') 19, 'Deferred Tax', full provision for deferred tax is made on a non-discounted basis.

ScottishPower NA 2 Limited

Profit and Loss Account for the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Net interest receivable	3	57.5	170.6
Profit on ordinary activities before taxation		57.5	170.6
Taxation	4	20.8	56.6
Profit for the financial year	10	78.3	227.2

The above results relate to continuing operations.

A statement of total recognised gains and losses and a reconciliation to historical cost profits and losses are not shown as all gains and losses for the year ended 31 December 2009 and the year ended 31 December 2008 are recognised in the profit and loss account, under the historical cost convention.

The Accounting Policies on page 3, together with the Notes on pages 7 to 9, form part of these Accounts.

ScottishPower NA 2 Limited

Reconciliation of Movements in Shareholder's Funds for the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Profit for the financial year		78.3	227.2
Dividends	5	(40.0)	(320.0)
Net movement in shareholder's funds		38.3	(92.8)
Opening shareholder's funds	10	2,376.1	2,468.9
Closing shareholder's funds	10	2,414.4	2,376.1

The Accounting Policies on page 3, together with the Notes on pages 7 to 9, form part of these Accounts.

ScottishPower NA 2 Limited

Balance Sheet as at 31 December 2009

	Notes	2009 £m	2008 £m
Current assets			
Debtors	6	2,837.4	4,224.1
		2,837.4	4,224.1
Creditors: amounts falling due within one year			
Loans and borrowings	7	(303.3)	(1,651.0)
Other creditors	8	(119.7)	(197.0)
		(423.0)	(1,848.0)
Net current assets		2,414.4	2,376.1
Net assets		2,414.4	2,376.1
Called up share capital	9, 10	1,426.5	1,426.5
Share premium	10	927.1	927.1
Profit and loss account	10	60.8	22.5
Shareholder's funds	10	2,414.4	2,376.1

The Accounting Policies on page 3, together with the Notes on pages 7 to 9, form part of these Accounts.

Approved by the Board on 9 September 2010 and signed on its behalf by



Marion Venman
Director

ScottishPower NA 2 Limited

Notes to the Accounts for the year ended 31 December 2009

1 Auditors remuneration

No charge for auditors' remuneration is included in the profit for the year. The audit fee of £5,000 (2008: £5,000) was borne by another subsidiary of Scottish Power Limited.

2 Employee information

None of the directors received any remuneration in respect of their services to the company. The company has no employees other than the directors.

3 Net interest receivable and similar income

	2009 £m	2008 £m
Interest receivable from group undertakings	80.4	259.3
Interest payable to group undertakings	(22.9)	(88.7)
Net interest receivable	57.5	170.6

4 Taxation

	2009 £m	2008 £m
The current tax credit for the year varied from the standard rate of UK Corporation tax as follows:		
UK Corporation tax at 28% (2008: 28.5%)	16.1	48.6
Adjustments in respect of prior years	(38.7)	(115.0)
Interest on tax provisions	1.8	9.8
Current tax credit for the year	(20.8)	(56.6)

5 Dividends

	2009 £m	2008 £m
Dividends	40.0	320.0

6 Debtors

	2009 £m	2008 £m
Amounts falling due within one year:		
Loans due from group undertakings	2,837.4	4,224.1

ScottishPower NA 2 Limited

Notes to the Accounts for the year ended 31 December 2009 - continued

7 Loans and borrowings

	2009 £m	2008 £m
Amounts falling due within one year		
Loans owed to group undertakings	303.3	1,651.0

These loans represent unsecured working capital facilities. The principal outstanding, accrued interest and associated costs are repayable in full on written demand, or on the occurrence of any of the default events specified in the loan agreement. Interest is calculated at a rate of 1% above the base rate and is payable quarterly in arrears.

8 Other creditors

	2009 £m	2008 £m
Amounts falling due within one year		
Corporation tax	119.7	197.0

9 Share capital

	2009 £m	2008 £m
Authorised:		
1,500,000,000 (2008: 1,500,000,000) ordinary shares of £1 each	1,500.0	1,500.0
Allotted, called up and fully paid:		
1,426,495,072 (2008: 1,426,495,072) ordinary shares of £1 each	1,426.5	1,426.5

10 Reconciliation of movements in shareholder's funds

	Share capital £m	Share premium £m	Profit and loss account £m	Total £m
At 1 January 2009	1,426.5	927.1	22.5	2,376.1
Profit for the year	-	-	78.3	78.3
Dividend paid	-	-	(40.0)	(40.0)
At 31 December 2009	1,426.5	927.1	60.8	2,414.4

11 Related party transactions

The company has taken an exemption, as allowed by Financial Reporting Standard 8, 'Related Party Disclosures', not to disclose related party transactions with other wholly owned subsidiary companies in the Iberdrola S.A. group as that company publishes full statutory consolidated Accounts.

12 Ultimate parent company

The directors regard Iberdrola S.A. as the ultimate parent company, which is also the parent company of the only group in which the results of the company are consolidated. Copies of the consolidated Accounts of Iberdrola S.A. may be obtained from Iberdrola S.A., Calle Gardoqui 8, Bilbao, Spain.

ScottishPower NA 2 Limited

Notes to the Accounts for the year ended 31 December 2009 - continued

13 Going concern

The company's business activities are set out in the Directors' Report on page 1.

The company has recorded a profit after tax in both the current and previous financial years and the company's balance sheet shows that it has net current assets of £2,414.4 million and net assets of £2,414.4 million at its most recent balance sheet date.

The company is ultimately owned by Iberdrola S.A. and it participates in the Iberdrola group's centralised treasury arrangements and so shares banking facilities with its parent companies and fellow subsidiaries. As a consequence, the company depends, in part, on the ability of the Iberdrola group to continue as a going concern. The directors have considered the company's funding relationship with Iberdrola to date and have considered available relevant information relating to Iberdrola's ability to continue as a going concern. In addition, the directors have no reason to believe that Iberdrola group will not continue to fund the company, should it become necessary, to enable it to continue in operational existence.

On the basis of these considerations, the directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the Accounts.

Independent Auditors' Report

To the shareholder of ScottishPower NA2 Limited

We have audited the financial statements of ScottishPower NA2 Limited for the year ended 31 December 2009 which comprise the Accounting Policies, the Profit and Loss Account, the Reconciliation of Movements in Shareholder's Funds, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member, as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with requirements of the United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

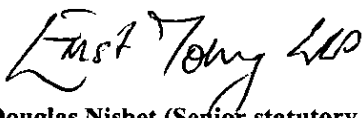
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



James Douglas Nisbet (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
9 September 2010